

Message Text

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ACTION EUR-25

INFO OCT-01 AF-10 IO-15 ISO-00 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SPC-03 STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 ARA-16

EA-11 NEA-10 SS-15 NSC-10 L-03 PA-03 PRS-01 USIA-15

INT-08 SCEM-02 AGR-20 DRC-01 /233 W

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R 051648Z OCT 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5838

INFO AMEMBASSY ABIDJAN

AMEMBASSY ADDIS ABABA

AMEMBASSY BRIDGETOWN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DAKAR

AMEMBASSY DAR ES SALAM

AMEMBASSY DUBLIN BY POUCH

AMEMBASSY KINGSTON

AMEMBASSY LAGOS

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY NAIROBI

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY ROME

AMEMBASSY TEL AVIV

AMEOBASSY TUNIS

AMEMBASSY THE HAGUE

AMEMBASSY YAOUNDE

USINT ALGIERS

USMISSION GENEVA

USMISSION OECD PARIS UNN

AMEMBASSY LONDON

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E. O. 11652: NA

TAGS: ZTRD, EEC, XA, EAGR, AG, TS, IS, MO, SP, XL

SUBJ: EC TRADE NEGOTIATIONS WITH DEVELOPING

COUNTRIES: THE MEDITERRANEAN; THE

ASSOCIATED AND ASSOCIABLE STATES

REFS: (A) EC BRUSSELS 4485

(B) EC BRUSSELS 4128

(C) EC BRUSSELS 4334

(D) EC BRUSSELS 5671

(E) EC BRUSSELS A-144

(F) EC BRUSSELS A-145

(G) EC BRUSSELS 4305

1. SUMMARY. THE EUROPEAN COMMUNITY IS ENTERING A RE-NEWED PERIOD OF INTENSIVE NEGOTIATIONS WITH MEDITERRANEAN, AFRICAN AND COMMONWEALTH ASSOCIABLE COUNTRIES. THOSE NEGOTIATIONS ALREADY UNDERWAY RE THE MEDITERRANEAN ARE MOVING SLOWLY AND FURTHER CONCESSIONS FROM THE COMMUNITY WILL LIKELY BE NECESSARY. THE NEW MEDITERRANEAN AGREEMENTS ARE NOT LIKELY TO BE RATIFIED BY JANUARY 1. CONSEQUENTLY, AD HOC TRADING ARRANGEMENTS MAY BE REQUIRED FOR SEVERAL MONTHS IN 1974. WITH TWO WEEKS REMAINING BEFORE THE FORMAL OPENING OF NEGOTIATIONS WITH THE ASSOCIATED AND ASSOCIABLE STATES, THE QUESTION OF TRADE "RECIPROCITY" ON THE COMMUNITY SIDE IS STILL UNSETTLED. SIMILARLY, THERE IS NO AGREEMENT ON THE MODALITIES FOR THE SPECIAL COMMODITY ARRANGEMENTS PROPOSED BY THE EC COMMISSION. ALTHOUGH THESE NEGOTIATIONS MUST BEGIN ON OCTOBER 17, THE COMMUNITY'S NEGOTIATING MANDATE MAY BE INCOMPLETE. EARLY SESSIONS MAY TAKE ON THE CHARACTER OF EXPLORATORY TALKS WHILE THE COMMUNITY CONTINUES TO WORK OUT ITS NEGOTIATING POSITION. THE PRESENT YAOUNDE ARRANGEMENTS EXPIRE JANUARY "1, 1975. END SUMMARY.

2. THE COMMUNITY HAS EMBARKED ON AN EXTENSIVE SERIES OF TRADE NEGOTIATIONS WITH DEVELOPING COUNTRIES.
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(THIS MESSAGE PROVIDES AN OVERVIEW SUPPLEMENTING THE MISSION'S REPORTS ON THE INDIVIDUAL NEGOTIATIONS (REF A-D). NEGOTIATIONS ARE ALREADY UNDERWAY IN THE MEDITERRANEAN WITH SPAIN, ISRAEL, AND THE MAHGREB COUNTRIES. MORE LIMITED NEGOTIATIONS WITH MALTA ARE SCHEDULED TO BEGIN LATER IN THE FALL. IN A FORTNIGHT, THE MAMMOTH NEGOTIATIONS WITH THE 40-ODD AFRICAN ASSOCIATED AND OTHER ASSOCIABLE COUNTRIES ARE SCHEDULED

TO GET UNDERWAY IN BRUSSELS. (BEYOND THESE, THE COMMUNITY IS ALSO NEGOTIATING BILATERALLY WITH BRAZIL AND INDIA FOR NON-PREFERENTIAL AGREEMENTS BUT THESE NEGOTIATIONS WILL BE REPORTED SEPARATELY.)

3. THE MEDITERRANEAN. IN THE MEDITERRANEAN THE COMMUNITY'S GOAL IS A SET OF NEW PREFERENTIAL TRADING ARRANGEMENTS WITH MORE HARMONIZED CONCESSIONS WHICH WOULD REDUCE THE UNFAVORABLE IMPACT ON MEDITERRANEAN EXPORTS RESULTING FROM THE GRADUAL ALIGNMENT OF THE NEW MEMBER STATES' TARIFFS WITH THE CXT. THE ORIGINAL TIMETABLE CALLED FOR THESE ARRANGEMENTS TO BE IN PLACE BY JANUARY 1, 1974. IT IS INCREASINGLY CLEAR, HOWEVER, THAT THIS TIMETABLE WILL NOT BE MET.

4. IN ALL THE NEGOTIATIONS HELD TO DATE, THE MEDITERRANEAN COUNTRIES HAVE INDICATED DISSATISFACTION WITH THE LIMITED AGRICULTURAL CONCESSIONS OFFERED BY THE COMMUNITY. IN THE TWO CASES WHERE THE EC HAS ALSO SOUGHT RECIPROCAL TRADE CONCESSIONS, SPAIN AND ISRAEL ARE DEMANDING LONGER TRANSITION PERIODS; I.E., TO THE MID AND LATE 1980'S BEFORE FREE TRADE IN INDUSTRIAL PRODUCTS IS ACCOMPLISHED. (THIS ISSUE HAS NOT YET BEEN RAISED IN THE NEGOTIATIONS WITH THE MAHGREB COUNTRIES PENDING A DECISION ON THE "RECIPROCITY" ISSUE BY THE EC COUNCIL.) SECOND ROUND NEGOTIATIONS ARE CURRENTLY UNDERWAY BUT NO NEGOTIATING BREAKTHROUGHS ARE EXPECTED TO EMERGE BEFORE THE COMMISSION HAS REPORTED BACK TO THE EC COUNCIL. SUCH A REPORT WILL PROBABLY BE DISCUSSED AT THE COUNCIL MEETING SCHEDULED FOR NOVEMBER 5-6. THIS REPORT WILL INCLUDE, OR WILL BE FOLLOWED SHORTLY, BY SPECIFIC NEW COMMISSION PROPOSALS FOR MODIFYING THE PRESENT NEGOTIATING MAN-LIMITED OFFICIAL USE

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DATES. UNDER THIS SCENARIO ANY CHANGES WOULD BE ACTED UPON BY THE COUNCIL ON DECEMBER 3-4.

5. A SCHEDULE ON THE FOREGOING LINES WOULD ALLOW FOR ONE MORE ROUND OF NEGOTIATIONS BY YEAR END. IT ASSUMES, HOWEVER, THAT THE MEMBER STATES CAN PUT TOGETHER -- AMONG OTHER THINGS -- A MORE SUBSTANTIAL PACKAGE OF AGRICULTURAL CONCESSIONS. GIVEN THE DIFFICULTY WITH WHICH THE PRESENT PACKAGE WAS WORKED OUT AMONG THE MEMBER STATES, THIS WILL NOT BE EASY. UNDER THE BEST OF CIRCUMSTANCES SOME OF THESE NEW AGREEMENTS COULD BE INITIALED -- PERHAPS EVEN SIGNED -- BY YEAR END, BUT THERE IS LITTLE LIKELIHOOD THAT RATIFICATION PROCEDURES CAN BE COMPLETED BY THAT TIME. THUS, IT IS LIKELY THAT AD HOC ARRANGEMENTS FOR

TRADE BETWEEN THE EC AND THE MEDITERRANEAN COUNTRIES IN
QUESTION WILL HAVE TO BE DEVELOPED FOR THE PERIOD
AFTER JANUARY 1 -- WHEN ACCEDING MEMBER STATES MOVE
40 PERCENT OF THE FULL DISTANCE BETWEEN THEIR PRESENT
TARIFFS AND THE CXT -- AND UNTIL SUCH TIME THAT NORMAL RATIFICA-
TION PROCEDURES FOR THE NEW TRADE AGREEMENTS ARE COMPLETED.

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R 051648Z OCT 73

FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 5839
INFO AMEMBASSY ABIDJAN
AMEMBASSY ADDIS ABABA
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AMEMBASSY THE HAGUE

AMEMBASSY YAOUNDE
USINT ALGIERS
USMISSION GENEVA
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6. THE AFRICAN ASSOCIATED AND THE ASSOCIABLE COUNTRIES. WITH TWO WEEKS REMAINING BEFORE THE OPENING OF NEGOTIATIONS BETWEEN THE EC AND THE AFRICAN ASSOCIATED AND OTHER ASSOCIABLE STATES, -- FOR AN AGREEMENT TO TAKE EFFECT EARLY 1975 -- THE COMMUNITY IS A LONG WAY FROM HAVING A COMPLETED NEGOTIATING MANDATE (REF E). THE MEMBER STATES ARE STILL DIVIDED ON THE QUESTION OF "RECIPROCITY" AND HAVE REACHED NO DECISION ON THE FORM WHICH THE SPECIAL COMMODITY ARRANGEMENTS, PROPOSED BY THE COMMISSION, SHOULD TAKE.

7. ON "RECIPROCITY", THE FRENCH APPEAR STILL TO BE WEDDED TO AN FTA APPROACH INCLUDING RECIPROCAL TRADE CONCESSIONS ARGUING THAT THIS IS NECESSARY TO MEET THE NEED FOR GATT COVER. NOT FAR REMOVED FROM THIS POSITION IS THAT OF THE COMMISSION WHICH HAS NOT YET ABANDONED THE POSITION TAKEN IN ITS ORIGINAL MEMORANDUM (REF F) ON THE NEGOTIATIONS. AT TIMES, COMMISSIONER CHEYSSON SEEMS TO BE TRYING TO MOVE THE COMMISSION FROM ITS INITIAL POSITION ON RECIPROCITY. AT OTHER TIMES, THAT SHIFT IN POSITION IS LESS CLEAR. WE NOTE, HOWEVER, SOME RETHINKING OF THE SITUATION AT COMMISSION WORKING LEVELS IN LIGHT OF THE UNITED POSITION TAKEN BY ALL THE LDCS AT THE JULY PRE-NEGOTIATION CONFERENCE (REF G).

8 THE MEMBER STATES OTHER THAN FRANCE ARE GENERALLY ARRAYED AGAINST "RECIPROCITY" BUT THEY HAVE NOT YET AGREED ON HOW BEST TO PROCEED.

9. VARIOUS SCHEMES INVOLVING ON-WAY FTA'S ARE CURRENTLY BEING DISCUSSED IN BRUSSELS. ONE SCHEME CALLS ESSENTIALLY FOR ELIMINATION OF ALL DUTIES IN THE "TARIFF COLUMN" WITH THE AFRICANS AND ASSOCIABLE COUNTRIES RECOVERING LOST REVENUE IN THE "FISCAL DUTY COLUMN." ANOTHER CALLS FOR THE LDC DUTIES TO REMAIN AS THEY ARE TODAY (I. E., A MIXTURE OF MFN AND PREFERENTIAL RATES) WITH THEIR RETENTION JUSTIFIED IN GATT ON THE BASIS OF DEVELOPMENT NEEDS. SOME MEMBER STATES ARGUE THAT THE GATT, INCLUDING ARTICLE 24, LIMITED OFFICIAL USE

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MUST BE DEFENDED BUT THAT PART IV SHOULD BE INVOKED AS JUSTIFICATION FOR ONE-WAY FTA'S WITH THE LDCS INVOLVED. THERE APPEARS TO BE LITTLE INTEREST AT PRESENT IN SEEKING A GATT WAIVER. HOWEVER, SOME OF THE ASSOCIABLE COUNTRIES ARE CONSIDERING RECOMMENDING A FIVE-YEAR WAIVER RUNNING CONCURRENTLY WITH THE TRADING ARRANGEMENTS TO BE NEGOTIATED.

10. THE MEMBER STATES ARE ALSO DIVIDED ON THE ISSUE OF SPECIAL COMMODITY ARRANGEMENTS AS PROPOSED BY THE COMMISSION. NEVERTHELESS, ALL OF OUR SOURCES AGREE THAT SOMETHING WILL BE DONE EVENTUALLY IN THE COMMODITY AREA FOR THE FUTURE ASSOCIATES. THERE IS STILL NO AGREEMENT ON THE PRODUCTS TO BE INCLUDED. SEVERAL MEMBER STATES ALSO OBJECT TO THE AUTOMATICITY OF THE SYSTEM SUGGESTED BY THE COMMISSION. OTHERS WANT A CEILING ON AN COMMUNITY FINANCIAL COMMITMENTS. IN ADDITION WE UNDERSTAND THAT THE DUTCH ARE WORKING ON AN ALTERNATIVE PROPOSAL, NOT YET IN THE HANDS OF OTHER MEMBER STATES, WHICH WOULD BE DIRECTED NOT AT MAINTAINING EXPORT RECEIPTS BUT RATHER TOWARD MITIGATING BALANCE OF PAYMENTS DEFICITS.

1. THERE IS SOME DOUBT WHETHER A COMPLETE NEGOTIATING MANDATE WILL BE APPROVED BY THE COUNCIL OF MINISTERS AT THEIR OCTOBER 15-16 MEETING. ONE SUGGESTION PRESENTLY BEING CONSIDERED BY THE MEMBER STATES WOULD TURN THE EARLY SESSIONS OF THE NEGOTIATIONS INTO EXPLORATORY DISCUSSIONS. THE ASSOCIATED AND ASSOCIABLE STATES WOULD BE GIVEN AN OPPORTUNITY TO DESCRIBE, IN GREATER DETAIL, THEIR OBJECTIONS TO THE PRESENT ASSOCIATION ARRANGEMENTS. AT THE END OF THIS PHASE THE MEMBER STATES WOULD COMPLETE WORK ON THE EC'S MANDATE IN LIGHT OF THE EXPLORATORY TALKS. AN ALTERNATIVE WHICH APPEARS TO BE FAVORED BY SOME OF OUR COMMISSION SOURCES WOULD BE FOR THE COUNCIL TO PROVIDE A RATHER GENERAL MANDATE FOR THE INITIAL STAGES OF THE NEGOTIATION. WITH JUST ENOUGH LEEWAY TO KEEP THE OPERATION UNDERWAY.

12. IT IS UNCLEAR WHAT IMPACT THE DAR-ES-SALAM
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MEETING WILL HAVE ON COMMUNITY DELIBERATIONS IN THE NEXT TWO WEEKS. ONLY SKETCHY REPORTS ARE AVAILABLE IN

BRUSSELS ON THE RESULTS OF THAT MEETING. WHILE IT
APPEARS THAT THE ISSUE OF TRADE RECIPROCITY WAS
SKIRTED IN DAR-ES-SALAM, THE COLLAPSE OF AFRICAN UNITY
VIS-A-VIS THE COMING NEGOTIATIONS THAT SOME OBSERVERS
PREDICTED WAS LIKELY TO OCCUR, HAS SO FAR BEEN
AVOIDED.
GREENWALD

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Message Attributes

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Copy: SINGLE
Draft Date: 05 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU05726
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
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Handling Restrictions: n/a
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Line Count: 338
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